

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Periodic Reporting
(Proposal One)

Docket No. RM2018-4

PUBLIC REPRESENTATIVE COMMENTS

(June 12, 2018)

I. INTRODUCTION

The Public Representative hereby provides comments in response to Commission Order No. 4610.¹ In that Order, the Commission established Docket No. RM2018-4 to receive comments from interested persons, including the undersigned Public Representative, which address the Postal Service's petition to change analytical principles related to periodic reporting.² The Postal Service filed the Petition pursuant to 39 C.F.R. § 3050.11. Petition at 1. It states that the extant proposal "...mirrors Proposal Nine, Docket No. RM2017-13, to use digital image samples for the City Carrier Cost System (CCCS), which was recently approved by the Commission." If the proposed methodological changes are approved, the Postal Service intends to implement them starting in FY 2018. Id.

In support of its Petition, the Postal Service filed Rural Carrier Cost System (RCCS) statistical documentation and accompanying workpapers.³ The Postal Service

¹ Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal One), May 22, 2018, Order No. 4610.

² Petition Of The United States Postal Service For The Initiation Of A Proceeding To Consider Proposed Changes In Analytical Principles (Proposal One), May 17, 2018, (Petition).

³ Prop.1.RCCS-Digital_Documentation.pdf (Statistical Documentation); and Prop.1.RCCS_Digital_Impact.xlsx (Digital Impact).

provided additional information in its Responses to the Public Representative's Information Request,⁴ and filed a Revised Table and Worksheet.⁵

II. SUMMARY OF PROPOSAL ONE

Objective: In Proposal One, the Postal Service seeks to modify the current methodology of collecting all RCCS data using only manual sample collection methods, with a method which also uses End-of-Run (EOR) control totals to expand a digital rural sample to a quarterly national digital estimate, which will be summed across quarters to obtain a national estimate of rural DPS'd, mail from processing plants which provide a digital count of mechanically processed mail in and EOR Report. Petition, at 3. Specifically, the Postal Service intends to eliminate manual counting of DPS'd mail from rural routes which appear in quarterly EOR Reports. Manual counting would be used non-DPS'd mail for rural routes which appear in a quarterly EOR Report, and for all mail from rural routes which do not appear in a quarterly digital EOR Report. Id.

Background: RCCS is an "ongoing cross-sectional statistical study" which samples "rural carrier route-days." Id., at 2. Its data "are primarily used to distribute rural carrier costs among the products rural carriers deliver." Id. The Postal Service currently collects RCCS DPS data manually. Id., at 3. After Commission Order No. 2739, the Postal Service started to utilize digital images to estimate ODIS-RPW mail volume,⁶ and the Commission recently approved using the proposed sampling method for the CCCS.⁷

⁴ Response Of The United States Postal Service To Public Representative Motion Regarding Information Request, June 7, 2018.

⁵ Notice Of The United States Postal Service Of Revised Table And Associated Worksheet Regarding Proposal One – Errata, June 7, 2018, respectively entitled "Notice.Rev.Impact.Worksheet.pdf" and "Prop.1.RCCS_Digital_Impact_Rev.6.7.xlsx."

⁶ Docket No. RM2015-11, Order on Analytical Principles Used in Periodic Reporting (Proposal Three), September 30, 2015 (Order No. 2739). See also, Docket No. RM2015-11, Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider a Proposed Change in Analytical Principles (Proposal Three), July 14, 2015.

⁷ Docket No. RM2017-13, Order On Analytical Principles Used In Periodic Reporting, (Proposal Nine), Issued December 15, 2017, (Order 4278).

Rationale: The Postal Service claims that if its proposal is adopted, RCCS data collectors on most RCCS tests (approximately 75 percent) would no longer spend time pulling sample mailpieces from DPS letter trays. This would provide them more time to sample other mail types, such as parcels and cased letters and flats. *Id.* The Postal Service also maintains that the proposed method would increase the number of sampled DPS mailpieces by approximately 450 percent, reduce delays of rural carriers leaving the office to deliver mail, reduce the risk of undetected sampling errors, and permit data collectors and supervisors to review post-sample results. *Id.*, 4.

Impact: The Postal Service claims that adopting Proposal One would only minimally change RCCS distribution keys. *Id.* It also claims that adopting Proposal one would only minimally change the distribution of unit rural costs among products. *Id.*, 5.

III. COMMENTS

A. Introduction

In Order No. 4278, the Commission approved the methodology currently being proposed to estimate most DPS volumes for the CCCS.⁸ Specifically, the Commission found that the use of digital samples obtained from city EOR reports “would improve the quality, accuracy, and completeness of the Postal Service’s mail characteristics data for DPS mail used in the CCCS.” Order 4278, at 7.

As required by 39 C.F.R. § 3050.11(b)(1), the Postal Service estimates the impact of the proposed change on the relevant characteristics of affected postal products. Specifically, the Postal Service estimates the impact of Proposal One on the distribution key proportions of products delivered by rural delivery carriers, as well as the impact on unit costs of products delivered by rural carriers. Proposal, at 5.

⁸ Docket No. RM2017-13, Order On Analytical Principles Used In Periodic Reporting, (Proposal Nine), Issued December 15, 2017, (Order 4278).

B. Impact of Proposal One On Rural Distribution Keys

After reviewing the Postal Service's "Revised Impact Spreadsheet," the Public Representative has several modest concerns.⁹ The revised impact of Proposal One on rural distribution keys is presented in Table 1.

Table I
Revised Impact of Proposal One on Rural Distribution Keys

	FY18 Q1 RCCS Digital Method Volume	FY 17 ACR DPS DK Proportions	FY 17 Proposed ACR DPS DK Proportions	Percentage Point Change
Domestic Market Dominant Products				
First-Class Mail				
Single-Piece Letters	1,095,938	11.9%	11.9%	0.0%
Single-Piece Cards	46,157	0.6%	0.7%	0.0%
Presort Letters	2,650,536	34.6%	34.1%	-0.5%
Presort Cards	118,002	1.7%	1.4%	-0.3%
Marketing/Standard Mail				
High Density and Saturation Letters	474,315	5.2%	6.5%	1.3%
Carrier Route Letters	2,402	0.1%	0.0%	-0.1%
Letters	3,708,006	45.6%	45.1%	-0.5%
Total Periodicals	1,854	0.0%	0.0%	0.0%
US Postal Service	35,118	0.1%	0.2%	0.0%
Free Mail	270	0.0%	0.0%	0.0%
Total Domestic Competitive Mail and Services	56	0.0%	0.0%	0.0%
Total International	5,830	0.0%	0.1%	0.0%

Source: Notice of The United States Postal Service of Revised Table and Associated Worksheet Regarding Proposal One – Errata, file entitled "Prop.1.RCCS_Digital_Impact_Rev.6.7.xlsx," June 7, 2018.

Although the distribution keys decline for First Class Presort Letters and Marketing Mail Letters are reduced, it appears as if the offset for this change disproportionately falls on an increase in the distribution key for Marketing Mail, High Density and Saturation Letters. The Postal Service does not provide an explanation for this result. It may be due to more accurate estimation of DPS'd mail, only a small percentage of which is accounted for by High Density and Saturation Letters, but the Public Representative does not know the reason this has occurred.

C. Impact of Proposal One On Unit Costs Of Rural Products

⁹ See, Response Of The United States Postal Service To Public Representative Motion Regarding Information Request, June 7, 2018, at 2, and Notice of The United States Postal Service of Revised Table and Associated Worksheet Regarding Proposal One – Errata, Prop.1.RCCS_Digital_Impact_Rev.6.7.xlsx (Revised Impact Spreadsheet), June 7, 2018.

The Public Representative also believes the presentation of the unit cost impact of the Proposal is not accurate. The Postal Service maintains that it order to best “represent the impact of the cost changes associated with this proposal on reported unit costs in the CRA, which is the standard approach employed in these types of proceedings to evaluate impact, it is necessary to divide the total cost changes by RPW volumes.”¹⁰ The Public Representative respectfully disagrees that the CRA represents changes in unit city or rural delivery costs.

In fact, the CRA Model files; the CRA Revenue Analysis; the B-Workpapers; Segment 10 for Rural Delivery; the RCCS, and the CCCS; do not present unit delivery costs at all.¹¹ The Postal Service only calculates unit delivery costs in the file which serves as the basis for avoided delivery costs.¹² In this case, unit delivery costs are calculated by summing product level **rural and city total delivery costs** by RPW volumes. It would be inappropriate to calculate the change in the unit costs of delivering products to rural customers by dividing the change in rural product costs by RPW volume, since RPW volume includes both city and rural volumes. Calculating product level unit city and rural delivery costs by dividing changes in delivered city carrier costs by their respective CCCS volumes and by dividing changes in delivered rural carrier costs by their respective RCCS volumes would provide a better comparison between the unit cost impacts between city and rural carrier products.

Table 2 shows the unit cost impact using the cost impacts per product divided by respective RPW volumes, combined RPW Volumes, estimated RCCS and CCCS volumes, and combined RCCS and CCCS volumes. Comparing the unit cost differences of city products using RPW volumes (Column A) to rural products using RCCS volumes (Column E), one sees that the unit cost impact on rural products is

¹⁰ Docket No. RM2018-4, Response Of The United States Postal Service To Public Representative Motion Regarding Information Request, June 7, 2018, (IR Response), at 2.

¹¹ Cites.

¹² See, e.g., ACR FY2017, USPS-FY17-19 - FY 2017, Delivery Costs By Shape, UDC Model17.xlsx.

close to that of city products, and most notably higher than the unit cost impact of rural products using RPW volumes (Column B).

Table 2
Comparison of Unit Cost Impacts Using RPW, CCCS, and RCCS Volumes

	Unit Output Differences With Piggybacks					
	Unit Output Difference for City Carrier Delivery Using FY2016 RPW Volumes	Unit Output Difference for Rural Carrier Delivery Using FY2017 RPW Volumes	Unit Output Difference for City & Rural Carrier Delivery Using FY2016-7 RPW Volumes	Unit Output Difference for City Carrier Delivery Using FY2016 CCCS Volumes	Unit Output Difference for Rural Carrier Delivery Using FY2017 RCCS Volumes	Unit Output Difference for City & Rural Carrier Delivery Using FY2016 CCCS & FY2017 RCCS Volumes
	A	B	C=A+B	D 2/	E 2/	F=D+E 2/
First-Class Mail						
Single-Piece Letters	\$0.0005	\$(0.0000)	\$0.0005	\$0.0011	\$(0.0001)	\$0.0010
Single-Piece Cards	\$0.0002	\$0.0005	\$0.0007	\$0.0004	\$0.0012	\$0.0017
Presort Letters	\$(0.0003)	\$(0.0001)	\$(0.0004)	\$(0.0005)	\$(0.0003)	\$(0.0008)
Presort Cards	\$(0.0002)	\$(0.0010)	\$(0.0011)	\$(0.0003)	\$(0.0034)	\$(0.0037)
Marketing/Standard Mail						
High Density and Saturation Letters	\$0.0047	\$0.0014	\$0.0060	\$0.0068	\$0.0040	\$0.0107
Carrier Route	\$(0.0005)	\$(0.0001)	\$(0.0006)	\$(0.0008)	\$(0.0002)	\$(0.0010)
Letters	\$(0.0006)	\$(0.0001)	\$(0.0007)	\$(0.0010)	\$(0.0003)	\$(0.0013)
Total Periodicals	\$(0.0000)	\$(0.0000)	\$(0.0000)	\$0.0000	\$(0.0000)	\$(0.0000)
US Postal Service	\$0.0108	\$0.0006	\$0.0114	\$0.0170	\$0.0024	\$0.0193
Free Mail	\$0.0003	\$0.0000	\$0.0003	\$0.0009	\$0.0000	\$0.0009
Total Domestic Competitive Mail and Services	\$(0.0000)	\$0.0000	\$0.0000	\$(0.0000)	\$0.0000	\$0.0000
Total International	\$0.0006	\$0.0002	\$0.0008	\$0.0021	\$0.0015	\$0.0035

1/ Weighted Average of In County and Outside County

2/ Excluding Mail Accepted During Delivery

Sources: USPS-FY16-32 FY2016 CRA "B" Workpapers (Public Version), USPS-FY17-32 FY2016 CRA "B" Workpapers (Public Version), Docket No. RM2017-13 Periodic Reporting (Proposal Nine), file: Prop.Nine.Impact.xlsx, and RM2018-4 Periodic Reporting (Proposal One), file: Prop.1.RCCS_Digital_Impact_Rev.6.7.

Nevertheless, the results still show that Proposal One results in minimal unit cost changes for either city or rural delivery unit product costs.

D. Errors Calculating Unit Product Cost Differentials Were Not Cosmetic

During his review of the Postal Service's estimate of the unit product cost impact of Proposal One (calculated in the file entitled: "Prop.1.RCCS_Digital_Impact.xlsx"), the Public Representative found that the Postal Service appeared to have calculated, rather than estimated, the Revised Cost of FY2017 Rural Output.¹³ This raised a concern that the Postal Service did not show the actual estimates of the output of rural product volumes using the method being proposed. Out of caution, the Public Representative requested the Postal Service provide estimates of the percentage change in coefficients of variation for several of the products which appeared to have the largest unit cost impacts. He also asked questions designed to determine how the Postal Service estimated new rural product volumes using the method proposed in this docket.¹⁴

The Postal Service filed a revised spreadsheet which showed the actually estimated product volumes using the methodology proposed in this docket.¹⁵ It characterized the changes made in its revision as "cosmetic deficiencies in the presentation of the spreadsheet." The Public Representative does not consider the changes as cosmetic, but as numerous errors in calculation, which raised the possibility the Postal Service presented revised product values which were not based on the

¹³ The spreadsheet calculates Revised FY17 CS10 Output (Column Q), as difference between Actual FY17 CS10 Output (Column P) and the Output Difference between Revised and Actual Output (Column R), which is circular. The formulas in the spreadsheet showed that the Postal Service's values for all of the values of Revised FY 17 CS10 Outputs were not estimated, but were calculated from values in columns R, S, T, and U.

¹⁴ Docket No. RM2018-4, Public Representative Motion for Issuance of Information Request, May 31, 2018.

¹⁵ Docket No. RM2018-4, Response of The United States Postal Service to Public Representative Motion Regarding Information Request, June 7, 2018 (USPS Response), at 1.

methodology proposed in this docket. All of the values in columns P, Q, R, S, and T were wrong, as were the formulas used to calculate those values, over 60 cells. After reviewing the corrections, the Public Representative concludes that although there were numerous errors, and the “sign” of unit cost differentials for all rural products was reversed, and even after using a more appropriate volume (RCCS), the unit product cost differentials are of the same order as those approved by the Commission in Docket No. RM2017-13, where the same sampling method was proposed for the CCCS.

E. The Postal Service Should Be Able To Easily Provide An Estimate Of The Percentage Change in Coefficients of Variation (CVs) for its Proposed Method Compared To The Current Method.

After reviewing the Postal Service’s “Response,” the PR agrees it would not be appropriate to estimate the percentage change in CVs using the method from Docket No. RM2016-1.¹⁶ However, the Public Representative believes only a minimal amount of additional work would be required to reproduce the CVs for RCCS products using revised data from the proposed methodology, using the same method of calculating rural CVs found in RCCS_CVs_FY17-NonPublicFinal.xlsx, filed in ACR FY2017.

Even though very minor changes in the distribution keys would occur if the proposed method were adopted, the Public Representative remains concerned that the reduction in the distribution keys for First Class Presort Letters and Marketing Mail Letters is mostly compensated by an increase in the distribution key for Marketing Mail, High Density and Saturation Letters.

¹⁶ See, Docket No. RM2016-1 (Proposal Eleven), USPS Response to CHIR1, Question 5, Appendix: Response to Information Request.pdf, November 6, 2015.

Consequently, calculating product level CVs for rural products using the proposed method and comparing them to the already calculated CVs for rural products, would help the Commission be certain its approval of this proposed change in rural delivery volume estimation has considered all possible measures of potential impacts.

IV. CONCLUSION

The Public Representative respectfully submits the foregoing Comments for the Commission's consideration.

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